



**SUMMARIZED MEETING MINUTES
BOND TASK FORCE
REGULAR MEETING
GRANITE REEF SENIOR CENTER
Room 1
1700 N. Granite Reef Rd., Scottsdale, AZ
October 3, 2012**

Call to Order/Roll Call - 5:01 p.m.

Present: Bill Heckman, Chairman; Judy Frost, Vice Chair; Wayne Ecton; Abigail Hoover; Bob Kammerle; Sue Sisley

Absent: Teresa Kim Quale

1. Approval of September 19, 2012 Summarized Meeting Minutes from the 2013 Bond Task Force

Vice Chair Frost noted one correction.

Motion to accept the minutes of the September 19, 2012 meeting as corrected by Wayne Ecton. 2nd Bob Kammerle.

**Approved 6:0
(Teresa Kim Quale was absent.)**

2. Presentation and discussion and take possible action on the staff update to the 2012 Bond Program –*City Staff*

Erin Walsh introduced the modified, expanded presentation of what was discussed at the last meeting. The work of the 2012 Bond Task Force was intended to form the basis of this year's program, but some prices and departmental priorities have changed. At this meeting the Task Force Members may formally adopt the recently revised 2012 Bond program as the basis of the 2013 Bond program. She emphasized that any vote tonight is not the final vote on the size of the program.

Dave Lipinski reviewed the staff changes.

In Question 1, the cost for replacement of electronic storage has been reduced from \$4.3 to \$2.6 million because one of the three centers has now

been replaced. Staff recommends that Project 1 of Question 2, the radio system upgrade, be incorporated into this question.

Staff recommends that the Library systems upgrade project be modified to include improvements to the Civic Center Library.

Staff has done further research into the proposed integrated financial, human resources and purchasing software system and proposes spending \$1 million more to save future maintenance costs. Bill Peifer estimated annual savings of \$250,000 so the savings would offset the additional expenditure within five years.

A Task Force Member inquired whether it would make sense to phase the expansion of the two senior centers. Bill Peifer said it could be done but the cost might, in fact, be higher. He noted that there is an advantage to having one contractor do both projects. The Task Force Member said he prefers to do the projects at the same time, but people have suggested phasing and he wanted to be able to respond to them.

The Task Force Member asked whether the public art ordinance applies to remodeling existing buildings. Derek Earle said it states that one percent of the budget of capital projects is to be set aside for public art. With the caveat that this is not a legal opinion, he suggested that the City should probably consider a public art component to the expansion of the senior centers. The \$7.1 million includes that funding.

Dave Lipinski explained that the ballfield lighting project now includes lighting Indian School Park for \$300,000. He summarized that the seven projects in Question 1 with proposed modifications now total \$35.9 million, an increase of \$6.6 million.

He reviewed the proposed changes to Question 2, which include moving the first project, radio system upgrade, into Question 1, Project 1. Staff propose upgrading fire station 603 rather than replacing it, which adds \$1 million to the project to bring existing fire stations into compliance standards. Staff recommends modifying Project 9, Desert Mountain Fire Station 616, to include the purchase of a new ladder truck that had originally been included in Project 5. For Project 10, Dave Lipinski noted that the estimated cost to purchase land for Fire Station 612 has been reduced to \$1 million.

In reply to questions from a Task Force Member, Bill Peifer explained that the Fire Department plans to reallocate their ladder trucks to different stations.

Staff noted no changes to any of the projects in Question 3, Neighborhood Flood Control. Chairman Heckman clarified that everyone on the Task Force including the new member, Abigail Hoover, was heavily involved in

reviewing the projects last year. For tonight they are focusing on proposed changes to the program for 2013.

Dave Lipinski reviewed the changes to projects in Question 4, Transportation and Streets. Staff propose including wayfinding in Project 2, Airpark Roadway Circulation Phase II. Project 5, Arizona Canal Improvements, is gone because work is already under way. Similar to Project 2, staff propose including wayfinding in the Transportation Downtown Pedestrian Improvements. The estimate for Project 10, Chaparral Road Streetscape Improvements, has changed due to a change in scope. The Los Portales residential development is starting west of Scottsdale Road and the developer is responsible for funding a portion of the improvements.

Summing up, Dave Lipinski stated that the 13 proposed modifications would reduce the total number of projects to 31. The cost would change from \$160.8 million to \$158.1 million.

Derek Earle said that a motion to approve these proposed changes would be appropriate, reiterating that this is not a final decision but would provide a revised Council directed base from which to start. In response to a query from Chairman Heckman, he said that in a work session Council Members suggested some other projects but did not make a formal recommendation.

Motion to adopt the modified 2012 Bond Program as presented, to use as a basis for the 2013 Bond Program by Wayne Ecton. 2nd Sue Sisley.

Approved 6:0
(Teresa Kim Quale was absent.)

No members of the public wished to address the Task Force on this item.

3. Presentation and discussion of financial overview of the city's finances; take possible action on bond program scope based on this information – *David Smith, City Treasurer*

David Smith presented a financial overview. Highlights of the presentation included current debt levels, outstanding bond debt, bonding capacity considerations, the tax and fee burden on residents, financial guidance, depreciation, historical expenditures on capital improvement projects, and projects funded by the General Fund.

David Smith stressed the importance of maintaining the City's assets. The City needs to reinvest \$100 million annually in order to maintain assets at their current level. If Scottsdale does not invest enough to maintain the asset base, the community will deteriorate. He suggested that a bond program total of around \$200 million might be preferable, given that

another year has passed with no new General Obligation bond investment and also that inflation must be factored in.

He summarized that there are no capacity constraints as far as the State statute is concerned. There are no implications from the bond rating agencies. He acknowledged that it is a burden to homeowners, but it is a manageable burden, lower than what people in other Valley communities are paying, and they should be willing to assume it to maintain the Scottsdale community. There is no question that there is a need for financial reinvestment in the City.

Chairman Heckman thanked David Smith for his clear presentation and invited public comment.

Martha Ecton asked how the financial information can be presented clearly to residents. Chairman Heckman said this will be a challenging project.

Derek Earle reiterated that at this point nothing is set in stone. The Task Force Members might set a target for the bond program. He mentioned that some larger projects will be presented to the Task Force in the coming weeks.

Wayne Ecton opined that City Council should set some direction as to the size of the 2013 bond program. The Task Force's mandate is to choose which projects to recommend to City Council. If forced to decide upon the size of the program, he felt that \$250 million would cover the most important projects.

Motion to adopt a total bond 2013 program value of \$250 million as a guideline and request that City Council provide guidance to the Task Force on this, by Wayne Ecton.

Another Task Force Member commented that streets and storm drains account for over 75 percent of the City's depreciable assets and that one would expect to see more transportation related capital projects in the General Obligation bond program.

David Smith replied that the operating budget takes care of some of the maintenance. The transportation sales tax pays for much of the road and sewer maintenance. This money is also leveraged to obtain grants from other levels of government.

Derek Earle pointed out that buildings and roads depreciate at different rates. Currently about 50 percent of the transportation sales tax is spent on maintenance and the other 50 percent is spent on capital improvements. The economic downturn has reduced the amount of transportation sales

tax income. The City received significant ARRA funding for street resurfacing.

Lee Guillory added that the majority of contributions for transportation have come from developers. David Smith added that developers may provide roads, but ultimately the City must maintain them.

Bill Peifer pointed out that 17 of the 31 projects in the 2013 bond program the Task Force just adopted are transportation or storm drain related, for a value of \$83 million out of the \$158 million.

Another Task Force Member said that it makes sense to increase the size of the 2013 bond program by at least \$50 million. However he agreed that guidance from Council would be very helpful.

Chairman Heckman concurred, saying that depreciation costs \$100 million annually and the City lost a year when the 2012 bond program was not approved by voters.

Abigail Hoover asked how the Task Force had chosen the size of the 2012 bond program. A Task Force Member said it was based on the presentations by staff. Another Task Force Member said they considered that the debt load on the Bond 2000 program is diminishing, and what the City could afford as a result.

Chairman Heckman recalled that the 2012 Bond Task Force was very careful to state clearly that the size of the proposed bond program was intended as a starting point for discussion. They discussed that the total cost of all the projects the departments would like is almost \$3 billion. The Task Force whittled the list down under the assumption that a new bond program would start every three to five years. It now appears that this timing is not realistic. If bond programs will be five to ten years apart, then the size of each program will be larger.

A Task Force Member said now that they understand the need to set aside \$100 million annually for maintenance, she would want any extra money in the program to go to those types of projects. She would not want to add the Desert Discovery Center, the Western Museum or a dog park into the program because those would be new assets that would also start to depreciate.

David Smith said they can add a new asset such as the Desert Discovery Center to the asset base. This has zero depreciation and, in fact, helps the depreciation status of the overall asset pool. He summarized that it is a balancing act.

The Task Force Member asked whether any depreciable assets need to be addressed. David Smith replied that some of the fire stations need to be addressed. The Member asked whether any streets and storm drains are not being maintained. David Smith reminded them that although the pie chart "Government Depreciable Assets 2012" shows that streets and storm drains is by far the biggest component, transportation sales tax dollars and grant money is available for maintenance. The Task Force does not need to worry about a large part of that portion.

Bill Peifer recalled that during the Bond 2000 program streets and storm drains was a much higher proportion of the program. He pointed out that buildings depreciate more slowly than roads.

The Task Force Member said they have to be sure they can give clear answers to these questions before presenting the program to citizens.

Derek Earle explained that tonight's discussion is to set some parameters. Staff would be happy to get feedback from Council if that is the wish of the Task Force, although he cautioned that it could take several weeks to have this agendized.

Wayne Ecton suggested adopting a total bond 2013 program value of \$250 million. He would prefer asking the new Council for guidance.

Another Task Force Member suggested setting a range for the 2013 bond program since they have not yet heard the departmental presentations. Erin Walsh recalled that last year the Task Force set a dollar range for the program, then ranked the projects. Staff is proposing following the same process this year.

Wayne Ecton modified his motion as follows:

Motion to adopt a total bond 2013 program value in the range of \$200 million to \$250 million, by Wayne Ecton. 2nd Bob Kammerle.

Approved 6:0

(Teresa Kim Quale was absent.)

Chairman Heckman opined that the most important aspect is the worthiness of the projects in the bond program, rather than the magnitude of the package.

4. Presentation, discussion and take possible action on the project evaluation criteria – *Staff*

Erin Walsh presented the project ranking criteria which the Task Force used last year. The goal for tonight is to reach a common understanding of

what criteria they would like to use and how each is defined. At future meetings their task will be to consider the ranking criteria selected tonight, evaluate the technical data provided by staff, in order to give each project a numerical score. Eleven of the criteria used last year were originally created by staff on the Bond Tactical Committee. Members of the 2012 Bond Task Force added two more: the negative impact of not doing the project, and economic sustainability.

Bill Peifer reviewed each of the criteria. He said the members of the Bond Tactical Committee took this task very seriously because it forced them to look at city-wide needs, not merely the needs of their own department.

A Task Force Member commented that many projects cannot be completed within a three-year time frame. Chairman Heckman agreed.

Another Task Force Member said that the qualitative analysis of the sustainability criteria may help engage voters.

Erin Walsh clarified that the goal for tonight is to agree upon the criteria for the 2013 Bond Task Force, not to rank them. Staff will have members rank the selected criteria before the next meeting.

Derek Earle noted that staff recommended two of the criteria:

- Eliminating whether a project is represented in the existing CIP
- Eliminating whether a project is included in Bond 2000
- Changing the term "economic sustainability" to "sustainability," encompassing economic, social and environmental aspects.

He elaborated that the Bond Tactical Committee defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Task Force Members discussed the criteria. David Smith suggested that they could put a positive spin on their goals by saying that the program aims to maintain or grow the net asset base of the City.

Motion to retain "Economic Sustainability" as a criterion but change the explanation to " At a minimum, a project meets the goal of growing or holding steady the net asset base of the City," by Bob Kammerle. 2nd Sue Sisley.

Approved 6:0
(Teresa Kim Quale was absent.)

It was the consensus of the Task Force Members to eliminate the criteria of whether a project is represented in the existing CIP and whether it was included in Bond 2000, as recommended by the Bond Tactical Committee.

Motion to eliminate the criterion of cross-departmental coordination, by Vice Chair Frost. 2nd Wayne Ecton.

**Approved 6:0
(Teresa Kim Quale was absent.)**

A Task Force Member argued that the three-year time frame is perfect for the bond 2013 program, acknowledging that not all projects will be completed within that period.

**David Smith urged that the Task Force should be looking at projects that can be initiated within three years.
Motion to change the wording of the three-year time frame criterion to "Can the project be initiated in a three-year planning horizon?" by Wayne Ecton. 2nd Sue Sisley.**

**Approved 6:0
(Teresa Kim Quale was absent.)**

Erin Walsh summarized the ten criteria which the Task Force had retained.

Chairman Heckman invited public comment. Wanda Copeland supported the concept of additional sustainability criteria that address social and environmental aspects.

Motion to add an additional sustainability criterion, separate from the economic sustainability criterion: "Does the project contribute to the social and/or environmental sustainability of the community?" by Abigail Hoover. 2nd Bob Kammerle.

In discussion another Task Force Member argued that environmental sustainability is part of economic sustainability.

**Defeated 3:0
(Chairman Heckman, Vice Chair Frost, and Task Force Member Ecton dissented. Teresa Kim Quale was absent.)**

Derek Earle stated that this question can be raised again in the future. Chairman Heckman told the meeting that he was not voting against the motion per se, but he could not see how to apply that criterion to the projects. Derek Earle reminded them that the City adopted a LEED policy, which relates to environmental sustainability in construction projects.

Motion to approve the criteria as agreed in the discussion, by Vice Chair Frost. 2nd Sue Sisley.

Approved 6:0
(Teresa Kim Quale was absent.)

5. Public Involvement Update – *Erin Walsh, Public Information Officer*

Erin Walsh said membership in Speak Up Scottsdale continues to grow. She described efforts to publicize the new forum and tonight's meeting.

6. Update, discussion and take possible action on the status of the Bond Task Force Work Plan – *City Staff*

Erin Walsh noted that the next meeting on October 17 will focus on presentations from Public Works, Planning, Community Services and Preservation.

In the meantime, staff will create a spreadsheet of the criteria the Task Force just approved for Task Force Members to rank each criterion before the next meeting. Staff will analyze the results and present them to the Task Force for approval.

At the next meeting staff will present ideas for projects which members of the public have submitted through Speak Up Scottsdale. This will be a summary of ideas generated, not action items, because most projects will not have enough hard data for full evaluation.

Recalling that the packet at the last meeting included a full database of all future year projects, Erin Walsh asked Task Force Members to email her by the end of the week with any requests for a full presentation on any projects in the B and C categories.

Public Comment

Chairman Heckman invited public comment on non agendized items.

No members of the public wished to address the meeting.

Adjournment

The meeting was adjourned at 7:23 p.m.